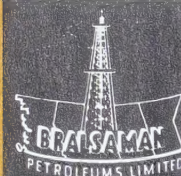




PETROLEUMS LIMITED



SIXTEENTH ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31

1967

HEAD OFFICE: SUITE 401, 1033 DAVIE STREET, VANCOUVER 5, B.C.

**TO THE SHAREHOLDERS OF BRALSAMAN PETROLEUMS LIMITED**

The Sixteenth Annual Report and audited financial statements for the year ended December 31, 1967, are submitted herewith for your consideration.

During the past year, income from the sale of crude oil and natural gas has been maintained. However, unitization and further development of the Mitsue Oil Field is expected to substantially increase revenue during the coming year.

Your Company participated with Ranger Oil (Canada) Ltd. and others in lease acquisitions in the Rainbow and Zama Areas of Alberta, to the extent of 4% and 3% interests respectively.

The drilling success of the Ranger-Husky (Rainbow) Well will further enhance your Company's income.

These acquisitions plus all development costs for the past year amounted to \$127,252.00.

Subsequent to December 31, 1967, your Company realized a gain of \$190,421.00 on the sale of marketable securities having a book value of \$102,880.00.

Your Company has a substantial share position in Ranger Oil (Canada) Ltd., holding 193,278 shares at December 31, 1967.

Submitted on behalf of the Board of Directors.

W. B. MILNER,  
President.

May 7, 1968.



# BRALSAMAN PETROLEUMS LIMITED AND SUBSIDIARY COMPANY, BRALSAMAN INCORPORATED

## CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1967  
(With comparative figures for the year ended December 31, 1966)

	1967	1966
Sales of crude oil and natural gas, less cost of production and distribution .....	\$ 40,817	41,372
Administrative and general expenses (including directors' fees \$1,500) .....	17,819	13,802
Depletion (Note 3) .....	17,983	—
Depreciation (Note 3) .....	10,468	—
Interest .....	5,810	10,789
	<u>52,080</u>	<u>24,591</u>
Operating profit (loss) .....	(11,263)	16,781
Other income:		
Dividends .....	300	—
Gain on sale of investments .....	107,533	80,299
Sale of share rights .....	23,547	—
	<u>131,380</u>	<u>80,299</u>
Net income .....	<u>\$ 120,117</u>	<u>97,080</u>

## CONSOLIDATED STATEMENT OF DEFICIT

Balance at December 31, 1966 .....	\$ 296,724	320,313
Net income for year .....	120,117	97,080
	<u>176,607</u>	<u>223,233</u>
Surrendered leases written off .....	5,985	73,491
Non-producing wells, development and equipment costs written off .....	61,446	—
Adjustment for depletion and depreciation of prior years (Note 3) .....	208,755	—
Balance at December 31, 1967 .....	<u>\$ 452,793</u>	<u>296,724</u>

See accompanying notes to consolidated balance sheet.

Subject to the accompanying report of Peat, Marwick, Mitchell & Co.,  
Chartered Accountants, dated March 22, 1968.

# BRALSAMAN PETROLEUMS LIMITED AND SUBSIDIARY COMPANY, BRALSAMAN INCORPORATED

## CONSOLIDATED BALANCE SHEET • DECEMBER 31, 1967 (With comparative figures at December 31, 1966)

ASSETS		
Current assets:	1967	1966
Cash .....	\$ 34,160	10,620
Accounts receivable .....	38,539	12,940
Total current assets .....	72,699	23,560
Investment in marketable securities, at cost (Note 2) (quoted market value \$968,110; 1966 — \$731,364) .....	349,438	424,048
Property, plant and equipment (Note 3):		
Petroleum and natural gas leases, permits and interests, including equipment and development thereon:		
Producing, at cost .....	612,658	593,694
Non-producing, at cost .....	156,291	115,436
	768,949	709,130
Less accumulated depletion and depreciation .....	237,207	—
Total property plant and equipment .....	531,742	709,130
Organization expense .....	1,808	1,808
	<u>\$ 955,687</u>	<u>1,158,546</u>

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Bralsaman Petroleums Limited and its subsidiary as of December 31, 1967 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change in the basis of recording depreciation and depletion as described in Note 3 to the financial statements, were applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia

March 22, 1968

PEAT, MARWICK, MITCHELL & CO.,

Chartered Accountants

## LIABILITIES AND SHAREHOLDERS' EQUITY

	1967	1966
Current liabilities:		
Bank loan (secured by pledge of certain marketable securities) .....	\$ —	20,000
Accounts payable .....	10,587	3,160
Due to affiliated company, Transcontinental Resources Ltd. ....	37,181	71,398
Total current liabilities .....	47,768	94,558
Shareholders' equity:		
Capital stock:		
Authorized 1,000,000 shares of \$1 each; issued 775,000 shares (of which 575,000 shares for cash and 200,000 as part consideration for petroleum and natural gas leases, permits and interests) .....	775,000	775,000
Surplus:		
Contributed .....	585,712	585,712
Deficit, per accompanying statement .....	452,793	296,724
	132,919	288,988
Total shareholders' equity .....	907,919	1,063,988
Approved on behalf of the Board: W. B. MILNER, Director F. B. KILSHAW, Director	\$ 955,687	1,158,546

### Notes:

1. Current assets and liabilities of the U.S. subsidiary have been converted to Canadian dollars at the current rate of exchange. Fixed assets have been converted at the rate of exchange existing at the date when purchased and income and expenses at the average rate of exchange for the year.
2. Subsequent to December 31, 1967, the company realized a gain of \$190,421 on the sale of marketable securities having a book value of \$102,880. The market value of the securities remaining on hand at March 22, 1968, having a book value of \$246,558 amounted to \$450,027.
3. It has been decided to record depletion and depreciation in the accounts retroactively to the date of incorporation. The provision in respect of prior years amounting to \$208,755 has been charged to deficit, while the provision for the current year of \$28,451 has been charged against income. If depletion and depreciation had been provided on the same basis in the year ended December 31, 1966, the charge to income would have amounted to \$29,842. Costs of producing leases and wells are being depleted on the unit of production method based upon the estimated recoverable quantities of gas and oil. Equipment is depreciated on the straight-line method based upon its estimated useful life.
4. No taxes on income are payable because the companies intend to claim sufficient preproduction expenses and depreciation for tax purposes to arrive at a nil taxable income.



## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1967

Funds provided:

Net income from operations .....	\$ 120,120
Add charges not requiring cash expenditure:	
Depletion .....	17,983
Depreciation .....	10,468
Funds provided from operations .....	<u>148,571</u>
Marketable securities sold .....	88,746
Total funds provided .....	<u>237,317</u>

Funds used:

Acquisition of petroleum and natural gas leases and development costs .....	127,252
Marketable securities purchased .....	14,136
	<u>141,388</u>

Increase in working capital .....	<u>\$ 95,929</u>
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See accompanying notes to consolidated balance sheet.

Subject to the accompanying report of Peat, Marwick, Mitchell & Co.,  
Chartered Accountants, dated March 22, 1968.

**DIRECTORS**

W. B. MILNER  
DR. KAHO DAILY  
J. M. PIERCE  
M. NAIRN  
DAVID B. ARMSTRONG  
F. B. KILSHAW

**OFFICERS**

President—W. B. MILNER  
Vice-President—F. B. KINSHAW  
Treasurer—F. W. SCHROEDER  
Secretary—D. E. BETCHLEY

**TRANSFER AGENT**

NATIONAL TRUST COMPANY LIMITED  
VANCOUVER, B.C.

**AUDITORS**

PEAT, MARWICK, MITCHELL & CO.,  
VANCOUVER, B.C.

**SOLICITORS**

BULL, HOUSSEY & TUPPER  
675 WEST HASTINGS STREET, VANCOUVER, B.C.

**HEAD OFFICE**

SUITE 401, 1033 DAVIE STREET  
VANCOUVER 5, B.C.